

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-08 FEAE-00 FPC-01 H-01 INR-07 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 OES-06 SP-02

SS-15 STR-04 TRSE-00 ACDA-07 /096 W

-----161647Z 054789 /40

R 160800Z MAR 77

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 6538

INFO AMEMBASSY BANGKOK

AMCONSUL HONG KONG

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

LIMITED OFFICIAL USE KUALA LUMPUR 1644

E.O. 11652: N/A

TAGS: BENC, ENRG, EALR, MY

SUBJECT: BINTULU LNG PROJECT

1. SUMMARY: PETRONAS EXPECTS TO REACH AGREEMENT ON BINTULU LNG JOINT VENTURE BY END OF APRIL 1977. CONSTRUCTION WILL BE TELESKOPED AS MUCH AS POSSIBLE, IN SPITE OF HIGHER COSTS, TO ALLOW FOR UTILIZATION OF ALREADY ORDERED LNG TANKERS. ONCE PETRONAS HAS DEALT WITH TANKER DIFFICULTIES THEY ARE EXPECTED TO BE MORE FIRM IN NEGOTIATIONS WITH OIL COMPANIES. END SUMMARY.

2. EMBOFF HAS BEEN INFORMED BY PETRONAS OFFICIAL THAT AGREEMENT ON JOINT VENTURE WITH SHELL AND MITSUBUSHI TO DEVELOP BINTULU LNG PLANT SHOULD BE REACHED BY END OF APRIL 1977. OFFICIAL WENT ON TO SAY THAT PETRONAS WILL NOW ACCEPT "MAJORITY" INTEREST RATHER THAN 70 PERCENT THEY INITIALLY WANTED. OFFICIAL ATTRIBUTED THEIR CHANGE IN POSITION TO GOM'S NEED TO GET AGREEMENT AND GET PROJECT UNDERWAY IN VIEW OF LIMITED OFFICIAL USE

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MALAYSIAN INTERNATIONAL SHIPPING CORPORATION'S (MISC) ORDER OF FIVE LNG TANKERS COSTING US\$800 MILLION.

3. OFFICIAL FURTHER COMMENTED THAT A CONSULTING/DESIGN ENGINEERING FIRM WOULD BE APPOINTED AS SOON AS JOINT VENTURE AGREEMENT REACHED. CONTRACTING FIRMS WILL BE SHORT LISTED IN JUNE OF 1977 AND ASKED TO SUBMIT BIDS. PETRONAS HOPES THAT

CONSTRUCTION WILL BEGIN IN LATE 1978 OR EARLY 1979 WITH
PRODUCTION COMMENCING IN MID-1982.

4. OFFICIAL COMMENTED THAT PETRONAS WILL BE WILLING TO PAY
MORE TO SHORTEN TIME FRAME FOR TWO REASONS. FIRSTLY THE
LNG TANKERS MUST BE PUT INTO OPERATION AS SOON AS POSSIBLE
AND SECONDLY PETRONAS WANTS TO GET ESTABLISHED IN MARKET
BEFORE OTHER SUPPLIERS GET INTO PRODUCTION.

5. COMMENT: PETRONAS IS BEING FORCED TO ACCEPT A POSITION IT
CONSIDERS LESS THAN OPTIMAL DUE TO MISC'S PREMATURE ORDER OF
LNG TANKERS. PETRONAS' WILLINGNESS TO SPEND SUBSTANTIALLY
HIGHER AMOUNTS ON CONSTRUCTION IN ORDER TO TELESCOPE TIME FRAME
REFLECTS GOM CONCERN ABOUT EARLY UTILIZATION OF TANKERS.
AFTER PETRONAS COMPLETES JOINT VENTURE AGREEMENT ON BINTULU
LNG THEY WILL HAVE TANKER "MONKEY" OFF THEIR BACK AND CAN
BE EXPECTED TO BE MUCH MORE DIFFICULT NEGOTIATING PARTNER FOR
OIL COMPANIES IN FUTURE DETALINGS. END COMMENT.
UNDERHILL

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Message Attributes

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